

<b>Subject:</b>	<b>Improving Housing Supply - Homes &amp; Communities Agency Funding Update</b>		
<b>Date of Meeting:</b>	<b>30 April 2014</b>		
<b>Report of:</b>	<b>Executive Director Environment, Development &amp; Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Martin Reid</b>	<b>Tel:</b> 29-3321
	<b>Email:</b>	<b><u>Martin.Reid@brighton-hove.gov.uk</u></b>	
<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Improving housing supply in Brighton & Hove, maximising inward investment and making best use of existing housing resources are core elements of the council's Housing Strategy. These continue to be key themes identified as priorities for action in the current consultation scoping our development of our revised Housing Strategy. Improving housing supply is closely aligned in support of: a robust planning policy framework for residential conversion, renewal and new builds across all tenures as part of the new City Plan; and the corporate priority of Tackling Inequality through decent, affordable, healthy housing.
- 1.2 This report updates Housing Committee on:
- Progress on delivery of the current Affordable Housing Programme in partnership with the Homes & Communities Agency (HCA) & Registered Providers;
  - Progress on bringing empty private sector homes back into use;
  - HCA Empty Homes funding allocation;
  - HCA Affordable Homes Programme 15-18 Prospectus;
  - Additional funding options available to ensure best use of existing housing resources and to improve housing supply.

**2. RECOMMENDATIONS:**

That Housing Committee note –

- 2.1 progress on improving the housing supply in Brighton & Hove (as set out in paragraphs 3.18 to 3.27);
- 2.2 the update on the Homes & Communities Agency Prospectus and other available funding options (as set out in paragraphs 3.28 to 3.40);
- 2.3 the return of the HCA Empty Homes Funding allocation reported to Housing Committee on 6 March 2013 and 19 June 2013 (as more fully described at paragraphs 3.5 to 3.17)

**3. CONTEXT/ BACKGROUND INFORMATION**

### **Improving Housing Supply**

- 3.1 Brighton & Hove is a growing City characterised by high house prices and low incomes, a very small social housing sector and very large private rented sector. The City's high housing costs, low incomes and high levels of support needs are causing more households to approach the Council in housing need with over 18,000 households on Brighton & Hove City Council joint housing register and rising homelessness.
- 3.2 Although there are limited opportunities for new housing development in the City, high land values are pushing up the cost of building making it difficult to develop sound business cases that balance the need for affordable housing against the cost of development. Private sector rents in the City have increased from historically high levels and remain a financial challenge for many households and for the Council seeking to lease accommodation from landlords and owners in order to meet accommodation duties to those we cannot place in the limited available supply of social housing.
- 3.3 The Council has a strong track record of improving housing supply and supporting delivery of new affordable homes. Through our Housing Strategy and City Plan, the Council seeks to address this issue through increasing the supply of affordable housing and bringing long term empty homes back in to use. Our draft vision for the new housing strategy includes: *"To improve access to decent affordable housing that provides a foundation to support a healthy independent life"*.
- 3.4 In order to achieve this the following draft actions are identified to meet the priority of providing more affordable homes: Ensure the City Plan identifies locations for new affordable housing; Ensure the City Plan contains provisions to maximise the provision of new affordable housing; Make better use of the social housing stock by supporting households to downsize; Maintain a development pipeline of new affordable housing; Maximise the provision of new affordable housing on land owned by the Council; Closely aligned to this is our priority of bringing long term empty homes back into use.

### **Bringing long term empty homes back into use**

- 3.5 Bringing long term empty homes back into use: Promotes effective use of the City's housing stock to meet housing need; Ends the blight on neighbourhoods caused by long term empty homes; Attracts New Homes Bonus from Government; Increases council tax revenue where the property is returned to use.
- 3.6 Brighton & Hove has a successful Empty Property Strategy. The Team work with owners to consistently out-perform Corporate Plan annual target (CPP 5.2) of bringing 153 long term empty private sector homes back into use. In 2012/13 our Empty Property Team worked with owners to return 157 empty private sector homes back into use. For 13/14, updated Quarter 3 returns show 126 properties have been brought back into use so far this year, on track at present for the year-end target of 153. Our current indicative out-turn for 13/14 is 169 homes returned to use. The Team have a strong track record as a sub-regional lead in delivering empty property services and investment across borough boundaries. Working closely with Council Tax and Planning colleagues the Team make use

of a range measures ranging from advice to enforcement, up to and including Compulsory Purchase Order to return homes to use.

- 3.7 The Empty Property Team work closely with Finance colleagues to maximise New Homes Bonus achievable from returning empty private sector homes back into use. The most recent New Homes Bonus allocations confirmed for year 2014/15 (measured October 2013) shows empty homes returns element of £111,758 per year for six years payable from April 2014 (total £670,548). Overall New Homes Bonus achieved relating to Empty Homes brought back into use is £1m.
- 3.8 The Empty Property Team offer financial assistance to owners to bring long term empty homes back into use where this funding is available. Between 2008 & 2012 Empty Property Assistance was offered as part of the overall Regional Housing Board (RHB) funded private sector housing renewal programme under the Brighton & Hove led BEST partnership (Brighton & Hove, East Sussex Together). Under the BEST programme, 72 homes in 49 properties were brought into use through our offer of Empty Property Assistance in the City. Under the Comprehensive Spending Review, government funding of this private sector housing renewal has now come to an end.
- 3.9 RHB funding was received annually for spend against the agreed BEST programme, including Empty Property Assistance. Assistance to owners to bring empty properties back into use was available where properties empty for over one year were brought back into residential use with council leasing & nomination rights and council-approved rent limits for five years. Rents were based on those offered to landlords and owners under our private sector leasing scheme. Spend against funding commitments was dependent, as with all private sector renewal assistance, upon owners take up and completion of approved works aligned to the release of the funding available and signing of a lease with the Council. The Council had the ability to carry forward funding where spend had been identified against Empty Property Assistance commitments in the programme.
- 3.10 With the end of Empty Property Assistance funding via the BEST programme, Housing Committee (6 March 2013 & 19 June 2013) were advised of successful bids for HCA Empty Homes Programme funding, aligned to the continued Corporate priority of bringing long term empty private sector homes back into use.
- 3.11 Through successful bids to HCA Brighton & Hove City Council received a capital allocation of £1,520,000, to bring 91 long term empty homes back in use through a range of recycled loans and grants. The funding and projected delivery of homes back into use was across Brighton & Hove, 71 Homes, and Lewes District Council, 20 homes.
- 3.12 HCA funding is much more prescriptive than RHB in terms of rents, lease terms, programme management and Funding Agreement parameters. No HCA capital funding has been provided up front with any capital spend under the programme drawn down at start on site and completion of works.
- 3.13 Housing market recovery and increasing housing demand in Brighton & Hove, characterised by rising rents and house prices, have led to significant challenges

with the delivery of this programme. Loans and grants, offered on the basis that the Council lease back the property for a period of time at a set rent in order to house those to whom we owe a housing duty, have not been taken up. As rents achievable in the private sector in Brighton & Hove and Lewes District have continued to rise, the rents and longer lease terms of up to 10 years on offer under the HCA scheme have proved unattractive to many owners. In particular, under the terms of the HCA Funding Agreements rents achievable from tenants are capped at below the level usually available under our existing private sector leasing schemes meaning rents payable to landlords are also lower than we can usually offer. This has proved a particular challenge given the rising market since the submission of the HCA bids.

- 3.14 We have kept the scheme under regular review with the HCA, agreeing measures to make the offer more attractive to owners, including recent reduction in interest rates on the loans to 0 % and ongoing discussion on rent levels and lease lengths. Approaching 1,400 contacts have been made with owners by letter and telephone calls to market the scheme. There have been press, radio and TV coverage, special 'promotions' around enforcement, attendance at landlord forums and targeting of office conversion schemes taken from Planning information. We have carried out constant scheme monitoring, including weekly meetings to review loan & grant products, based on client feedback and ongoing discussion with the HCA.
- 3.15 The HCA have been fully aware that we have struggled to make progress with this scheme. Our previous success in returning private sector homes into use (outlined above) on which funding allocation was predicated, was under an entirely different regime. The principle of loans as opposed to grants has never had sufficient interest from private landlords, and the grants based allocation faltered due to the proposed length of lease required and the maximum rents payable. We have been raising these issues with the HCA in our regular meetings since October 2013.
- 3.16 At a meeting on 25 February 2013 the HCA advised that our progress was insufficient, and asked for definitive figures on likely delivery over the next 2-3 months. Whilst we remain committed to the principle of the grant based allocation, and believed, under the revised terms agreed at a meeting with the HCA on 13 February 2013, interest in the scheme would improve, we were not in a position to guarantee delivery of a set number of homes back into use within the HCA set time-span. As outlined above, delivery of an empty homes programme is contingent upon owners take up of the product on offer over which we have limited control.
- 3.17 Given that the HCA were requesting guarantees of take up over a very short period to which we could not commit and in light of extensive efforts to make the scheme work and feedback that the rent, lease and assistance offer were not attractive to landlords, we consequently felt unable to offer the guarantees required by the HCA. We therefore offered the return of the entire allocation under this programme in order that the HCA could re-allocate it. The HCA accepted this offer. No funds have actually been received from the HCA under the Empty Homes Programme to date so no actual capital is handed back.

### **Stimulating new house building in Brighton & Hove**

3.18 Our current Housing Investment Framework includes: Local Investment Plan for Housing (HCA, Council, Registered Providers), incorporating the current Affordable Housing Programme (AHP) & the HCA 15-18 AHP Prospectus; The new City Plan & Supplementary Planning Guidance incorporating Developer Contributions; HRA Capital Programme 2014-17 - HRA self-financing & borrowing capacity (incorporating Right to Buy receipts); The local authority as a potential purchasers/lessee of new accommodation, exploring ways in which we can secure additional housing being brought forward on sites in the City.

### **2011-15 Affordable Housing Investment Programme - HCA, Council & Registered Providers**

3.19 Investment is currently identified for 638 new affordable homes under the 2011-15 Affordable Housing Investment Programme (AHP). This includes a Corporate Plan (CPP 5.4) projection of 534 new homes to be completed over the final two years of the programme to 31 March 2014/15. 164 new affordable homes were completed during 2013/14 under this programme. The expected total was 259 but Practical Completion of the Southern Housing Group development at Pankhurst Avenue will now be in 14/15. In light of this 370 new affordable homes are due to complete in 2014/15.

3.20 On 25 September 2013 Housing Committee were updated on progress with 'Stimulating New Housing Building in Brighton & Hove' including our New Homes for Neighbourhoods Programme. This is subject to further update under Housing Committee Agenda item 8. In the September report we identified:

- Current market conditions that pose serious problems for delivery but also present opportunities;
- A rapidly changing funding landscape, large government capital subsidy can no longer be relied upon for new affordable housing development, in particular in support of any developer contribution toward affordable housing required as a condition of award of Planning permission;
- New approaches to funding investment and delivery for affordable housing, in particular Affordable Rent based funding of current the Affordable Housing Programme.

3.21 Housing Committee were advised that Affordable Rent remains one of the few viable options to help fund the development of new social housing given reductions in Government capital funding for new affordable homes. Affordable Rent offers the potential to increase rent levels for new homes and build mixed tenure developments in order to maximise numbers built.

3.22 Housing Committee expressed concern about the affordability of 'Affordable Rents' if based on 80% of the market rent in Brighton & Hove in addition to emerging concerns over the level of shared ownership homes being delivered in the City against the supply of new affordable rented housing.

3.23 The following emerging development risks identified by Registered Provider partners on our Affordable Housing Partnership were also reported:

- Increased pressure on RP income streams and rent collection risk, in particular where this income is aligned to supporting borrowing for new development;

- Concern about the impact of Welfare Reform and Affordable Rents on new affordable housing development in the City. RPs report that this will potentially impact on their ability to borrow to support funding to build new affordable homes and the profile of clients to whom they let new affordable housing;
  - Potential reduced income and higher risk profile are likely to result in a more cautious approach to future AHP development.
- 3.24 In terms of overall scheme viability and delivery of affordable homes in the City it was reported that, increasingly, with no government capital subsidy available for new affordable housing development in support of any developer contribution, we are facing challenges around the viability of affordable housing on schemes where this developer contribution applies.
- 3.25 In order to address the above issues, the Council has sought to stimulate new housing building in Brighton & Hove through: the City Plan; City-wide Housing Strategy; Housing enabling work with a range of partners including Homes & Communities Agency and Registered Providers; ongoing review of HRA assets and Estate Regeneration programme.
- 3.26 We have also sought to explore mitigation of the adverse impact on affordable housing supply of the issues outlined above through consideration of negotiated arrangements whereby any reduction in affordable housing on new developments owing to viability issues may be partially offset by the willingness of developers to explore alternative ways of increasing the proportion of affordable housing by entering into arrangements with the City council and / or other housing agencies to offer residential units for sale or lease at discounted rates. This is on the basis of potential sale and / or lease-back arrangements whereby the Council or RP may purchase homes on the a new scheme with the Council having nomination rights for households to whom we have a housing duty, potentially using rents received over the lease term to fund the discounted purchase of homes on the development.
- 3.27 In recognition of the limitations of seeking to meet the City's housing pressures within our administrative boundaries, and in line with the Duty to Co-operate for local planning authorities to work together with their neighbouring authorities and other organisations in the development of strategic planning policies, we have also developed our sub-regional working. We have sought to work in partnership, engaging with our neighbouring coastal local authorities through the Coastal West Sussex and Greater Brighton Strategic Planning Board area, taking forward joint objectives that meet existing and future needs of the residents and workforce in the area. In addition, Greater Brighton City Deal with government and the establishment of the Greater Brighton Economic Board will act as the investment decision-making body for the Greater Brighton city region, advising on how national funding streams, such as the Regional Growth Fund should be prioritised, as well as providing a vehicle for joint housing investment decisions.

### **HCA Affordable Homes Programme Prospectus - 2015-18**

- 3.28 We have commenced preparation for the Affordable Housing Partnership response to any funding opportunities under the HCA 2015 – 18 Affordable Housing Funding Prospectus. Details on the Prospectus are below. We have been meeting with our RP Partners on the Affordable Housing Partnership on their likely response to HCA Prospectus. Our general feedback from RPs and

the HCA to date has been that RPs in the City will be submitting few firm bids for funding by 30 April Deadline, with both RPs and HCA expecting more future activity to be based on continual market engagement than in previous bid rounds. At this time we understand that it is unlikely that HCA will meet stated aim allocating 75% of AHP funding at the outset of the Programme.

- 3.29 The HCA will be contacting all Local Authorities shortly after bidding closes to notify of bids that have been made in our area and seeking our views on the schemes. The HCA will seek confirmation of the following: LA support for the HCA funding for the site; scheme contribution towards LA equalities priorities; Planning status; Revenue funding where the site provides supported housing; Scheme unit mix meeting local housing need; Any requirement to demolish any residential property. .
- 3.30 Initial indicative responses from our RP partners indicate potential firm bids for 70 affordable homes across four sites in the City with the majority of homes being shared ownership rather than affordable rented (where this information is currently known). However, it is worth noting that RPs are increasingly utilising their own borrowing to fund new affordable homes outside of the constraints of the AHP. We have currently identified potential for an additional 191 homes being brought forward by RPs in the City outside of the AHP with a mixture of market sale, market rent (under Build to Rent) and Shared Ownership.

### **Affordable Homes Programme 2015-18 - Headlines**

- 3.31 Funding of up to £1.7bn is available outside London to contribute to delivery of 165,000 new homes by March 2018. Deadline for bids is noon on 30 April 2014. Not all available funding will be allocated from the out-set with the aim to allocate up to 75% with remainder being made available through ongoing market engagement.
- 3.32 The programme seeks to increase the supply of new Affordable Rent (80% market rent is retained) & shared ownership. The Prospectus includes opportunities for both general needs housing and meeting the needs of vulnerable and older people in both specialised and mainstream housing. Bids for supported housing and housing for older people are expected identify revenue funding source associated with accommodation or client group, have exit routes should commissioning priorities change and identify move on where required.
- 3.33 Certainty of delivery is key. There will be two routes to bidding, either firm schemes only approach or a mixed route of firm schemes and indicative proposals. Any bidder is able to bid for firm schemes only. Current HCA Investment Partners with a proven track record of good delivery will be able to access the mixed route where this has been agreed with the HCA. HCA intend to agree with bidders in advance whether they may bid under the mixed route.
- 3.34 Expectation remains that Section 106 schemes will be delivered at nil grant input for both Affordable Rent and shared ownership. If any HCA funding is requested this would be an exception, subject to evidence as part of the appraisal that this will result in additional affordable housing which would not otherwise be

delivered, including by reference to the local authority Planning viability assessment.

3.35 The 15-18 Programme is intended to be shaped by local affordable housing needs and the HCA will seek views from local authorities about schemes bid for. Bidders and local authorities are expected to work closely together to make sure that the mix and type of housing offered by the individual bidder and long term provision of affordable housing is appropriate for the local area and the range of needs identified.

3.36 The programme seeks to address the needs for 'more one and two bedroom homes that match the needs of smaller households' in order to 'build homes that address the demographic challenges that facing social housing' for example in areas where tenants under-occupying social homes do not have the option of moving to a suitably sized home.

3.37 The Prospectus also seeks to encourage bidders to seek efficiencies, maximising the number of providers with capacity to efficiently and effectively deliver new supply, particularly through partnership working.

3.38 The prospectus seeks to maximising delivery against available grant through bidders own contributions with specific focus on 'active asset management', including reduction on call from grant funding through maximising:

- Borrowing capacity on net rental income on new homes;
- Generating additional borrowing capacity through conversion of social rent to Affordable Rent at re-let;
- Cash generated through sale of existing stock;
- Other cross subsidy including surpluses from existing stock and activities including any recycled grant or income from homes for sale;
- Other sources of funding or means of reducing costs such as free or discounted local authority or other public land or additional local authority contributions such as New Homes Bonus.

3.39 The Prospectus also identifies achieving overall value for money through efficient operation across bidders management and maintenance operations as key. This is on the basis that efficient operation will leave bidders able to achieve higher net operating income levels, supporting financial capacity allowing them to be more competitive in their delivery of supply. HCA will take into account Regulators public judgement on this value for money standard.

3.40 Assessment of bids will include funding for the supply of new affordable homes that:

- Meet local needs and priorities, including meeting demographic challenges and any mismatch between existing stock and household needs – for example building more one and two bed homes in areas where there is a shortage;
- Good value for money, enhanced where providers can demonstrate efficiency across their operating base;
- Demonstrable prospect of delivery within the programme timeframe;
- Confirmation that RPs continue to meet regulator Governance & Viability standard.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**



- 4.1 Options for improving housing supply are outlined in the report and will be kept under review as part of current scoping, development and review of the revised City-wide Housing Strategy.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 Earlier on this agenda, Housing Committee have been asked approve the ongoing methodology and planned events for consultation on the City-wide Housing Strategy which includes Improving Housing Supply as a key priority.
- 5.2 Early, proactive and comprehensive consultation with ward councillors, local residents and community groups is key to successfully progressing individual HRA development proposals outlined to Housing Committee. General consultation on our approach to stimulating new house building, making best use of our HRA assets and estate regeneration has been undertaken with councillors, council tenants and leaseholders through reports and presentations to Housing Committee, City Assembly and specific tenant groups such as Building New Council Homes group (BuNCH).
- 5.3 Consultation with residents and ward councillors on specific schemes to be developed by Registered Provider partners will be undertaken via the Planning process.

## **6. CONCLUSION**

- 6.1 The importance of improving housing supply in the City, making best use of existing housing resources and maximising inward investment in support of this priority is outlined in this report and in the report updating Housing Committee on review the of the City-wide Housing Strategy.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 7.1 Funding and staffing resources are included in the Housing Revenue Account and Housing General Fund revenue and capital budgets.
- 7.2 The HRA Capital Investment Programme 2014-2017 approved February 2014 includes investment in Building New Council Homes, totalling £16.5 million to deliver 93 homes.
- 7.3 The financial viability of building new council homes is reviewed as part of the business case for each new build project and reported to Housing Committee. A separate report for New Homes for Neighbourhoods is included elsewhere on this agenda with the financial implications for those particular sites addressed in that report.
- 7.4 The Housing General Fund 2014/15 capital budgets includes £0.234m for Private Sector Renewals which represents the residual unspent BEST funding .With the return of the HCA Empty Homes funding allocation as detailed above, there are very limited General Fund capital resources currently available. The New Homes

Bonus (NHB) referred to above is a funding incentive for local authorities largely to facilitate the building of new homes in their area and bring empty homes back into use. The council will receive £0.680m extra in 2014/15, of this £0.554m is from new properties, £0.112m from a reduction in long term empty properties and £0.014m from affordable homes delivered. This un-ringfenced grant is funded by top-slicing local authority grant and is used to support the General Fund Revenue Budget.

- 7.5 Officers will support bidders and RP partners under the Affordable Homes Programme and funding opportunities will continue to be explored where possible including under the Regional Growth Fund .

*Finance Officer Consulted: Name Susie Allen /Michelle Herrington Date: 15/4/2014*

Legal Implications:

- 7.6 As the report is only for noting, there are no significant legal implications to draw to the Committee's attention.

*Lawyer Consulted: Liz Woodley*

*Date: 15/04/14*

Equalities Implications:

- 7.7 Increasing housing supply supports Tackling Inequality, priority one of the Corporate Plan. It will help meet the identified needs of households unable to access housing other than by approaching the Council for assistance. It will also help the Council discharge statutory duties to accommodate vulnerable households to whom it owes a housing duty. New affordable housing is built to Lifetime Homes standard with 10% fully wheelchair adapted in order to support households with a disability to live independently at home for as long as possible.

Sustainability Implications:

- 7.8 Newly built homes will be built to Affordable Housing Brief standards in terms of size, Code for Sustainable Homes, amenity space, Lifetime Homes Standard. Development to the BREEAM standard level 'Good' ensures that new homes are designed sustainably to minimise carbon emissions and use sustainable materials in their construction. New homes will support One Planet Living principles.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. None

### **Documents in Members' Rooms**

1. None

## **Background Documents**

1. Housing Committee report, Stimulating New House Building In Brighton & Hove  
25 September 2013.

Crime & Disorder Implications:

- 1.1 Good architectural and urban design can contribute to safer homes and neighbourhoods. The proposed developments will include Secure by Design principles and in relation to extra care schemes, IT enabled technology supporting older people particularly those experiencing dementia.

Risk and Opportunity Management Implications:

- 1.2 Risk and opportunity management implications are outlined in the report and will be kept under review.

Corporate / Citywide Implications:

- 1.3 This report aligns to the following Corporate Plan priorities: Tackling inequality - Improving Housing & Affordability; Decent, affordable, healthy housing; reduce health inequalities and long standing public health issues; Vulnerable adults supported to live healthy independent lives; Creating a more sustainable city: A healthier and higher quality built environment.
- 1.4 City Performance Plan (CPP) / Corporate Plan (CP) Measures: CPP 5.4. Number of affordable homes delivered per year; CPP 5.2 Corp Plan 1.3.4. Private sector vacant dwellings returned into occupation or demolished.